GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:7055
ANSWERED ON:14.05.2002
WEIGHTAGE TO SMALL INVESTORS IN OPEN OFFER
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Will the Minister of DISINVESTMENT be pleased to state:

(a) whether Department, SEBI, DOD has received any representations regarding giving weightage to small investors in 20% Open Offer Clause;

(b) if so, the details thereof;

(c) whether a small invest up to thousand shares or Rs.1 Lakh may be given weightage in open offer in dis-investment etc.; and

(d) the opinion, observation and action taken by the Department in the matter?

Answer

MINISTER OF DISINVESTMENT AND MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION (SHRI ARUN SHOURIE)

(a) Yes, Sir.

(b) It was suggested that small investors should be given more weightage / preference / priority over the big investors i.e. small shareholders upto Rs. 1 Lakh or 1000 shares should be given priority over big investors. Effectively, it means that the shares tendered by the small investors be accepted by the bidder / acquirer and the remaining balance may be accepted from the big shareholders.

(c)&(d) The matter was examined by Securities and Exchange Board of India. On examination, it was not found feasible to accept the suggestion regarding reservation for a class of shareholders in an Open Offer for the following reasons. Under the Companies Act, small shareholders are not treated differently from large shareholders. Such a measure may encourage investors to transfer their shares to their relatives and friends prior to an open offer and tender that number of shares under different names in order to get all their shares accepted. Further, SEBI has to keep in view the interests of all shareholders.